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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 002056

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SUBJECT: GOI STILL UNSURE ABOUT TRANSFER OF MONEY FOR MEDICAL AID

REF: TEL AVIV 2011

Classified By: Charge d'Affaires Gene A. Cretz for reasons 1.4 b and d.

This cable has been cleared by ConGen Jerusalem.

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Summary  
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¶1. (C) The GOI has not yet decided how to effect the transfer of NIS 50 million for humanitarian medical aid to the Palestinians from the PA customs revenue it is holding. Officials claim to fear that the transfer, done outside the aegis of the Paris Protocol, would not be recognized as legitimate by a future PA government, which could demand that the GOI return the money. The GOI is seeking U.S. assurances that the U.S. would support it in resisting such a demand. In light of this problem, the GOI also wants to somehow document that the revenue deduction came about as a result of a Palestinian request, but has still not decided if it wants Palestinian President Abbas to officially make such a request. In a separate meeting, Abbas told ConGen Jerusalem's Consul General that GOI expenditures on medicine for Palestinians should be coordinated with his office. Comment: This could offer an opening to the resolution of the issue. End comment. End Summary.

¶2. (C) In a follow-up to the Charge's discussion with FM Livni's Chief of Staff, Jakub Dayan (see reftel), Benny Ayal, Senior Advisor to the Minister of Finance and Rani Loebenstein, Senior Advisor to the Ministry of Finance DG told Deputy Economic Counselor on May 26 that the GOI is still unsure how to effect the transfer of NIS 50 million (about USD 11 million) worth of medical aid to the Palestinians. The plan is to deduct the money in stages from the approximately NIS 750 million in Palestinian customs revenue being held by Israel and give it to the World Health Organization (WHO), which would use it to buy the supplies and transfer them. So far, there have only been very preliminary discussions with the WHO on the issue. The problem, from the Israeli perspective, is that the Paris Protocol covers the issue of Israel deducting money to pay for electricity, water, and health care for Palestinians in Israeli hospitals, but does not provide for deducting money for this type of humanitarian assistance. Israeli officials claim that they are therefore concerned about the possibility that a future Palestinian government might demand return of the money, since it would have been spent entirely at Israel's discretion and not under any recognized protocol.

¶3. (C) Loebenstein said that the GOI's concerns about making the deduction would be eased if it could depend on the U.S. to back the action in any future dispute on the issue with the Palestinians. In addition, the GOI would like to get some sort of Palestinian request for the medical aid on the record. However, he said emphatically that the issue of whether or not to ask Palestinian President Abbas to make such a request is extremely sensitive, and would require the highest levels of the GOI to make fundamental decisions on their views of the President and his usefulness as an interlocutor for the GOI. So far, these decisions have not yet been made, and Loebenstein strongly requested that the U.S. not approach Abbas or any other Palestinians on the issue until they are. (Note: Mahmud Abbas raised the issue of transfer of money for the purchase of humanitarian medical aid with ConGen Jerusalem's Consul General on May 23 and made the point that GOI expenditures on medicine for Palestinians should be coordinated with his office. Abbas' other concern was that the GOI not spend the money on expensive Israeli medicine, but rather purchase less expensive supplies on the Palestinian economy. End note.)

¶4. (C) Loebenstein added that the GOI is also concerned that deducting money from the customs revenues for this particular humanitarian issue would set a precedent which would result in further requests, some of which may be less reasonable. The GOI is concerned that, having already gone beyond the provisions of the Paris Protocol, it would find itself in a more difficult position to resist additional requests.

¶5. (C) Loebenstein also voiced the general concern that if the EU succeeds in figuring out a way to pay PA salaries, and Israel starts using the customs revenues for general humanitarian assistance, the economic pressure on the

Hamas-led PA government would ease considerably, if not end completely. The GOI is also taking this into account in its deliberations on the issue.

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